

Message Text

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AMCONSUL RIO DE JANEIRO
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E.O. 11652: N/A
TAGS: EAGR, ECON, BR
SUBJECT: AGRICULTURAL PRICES IN IMPROVED ANTI-INFLATION
PERFORMANCE

REF: BRASILIA 9998

THIS MESSAGE PREPARED CONGEN RIO DE JANEIRO

SUMMARY: ANALYSIS OF THE THREE MAJOR PRICE INDICES
INDICATES THAT FOOD/AGRICULTURAL PRICES HAVE BEEN A
SIGNIFICANT -- BUT NOT PREPONDERANT -- FACTOR IN RECENT
SLOWER RATE OF PRICE RISES. YEAR-TO-DATE, HOWEVER, THEIR
PRICE BEHAVIOR HAS NOT DIFFERED FROM THAT OF OTHER ITEMS.
END SUMMARY.

1. ALL THREE MAJOR GETULIO VARGAS FOUNDATION PRICE
INDICES INCLUDE SIGNIFICANT AGRICULTURAL OR FOOD COMPONENTS:
FOODSTUFFS (ALIMENTACAO) ACCOUNTS FOR 42 PERCENT OF RIO
(CITY) COST OF LIVING INDEX; FOOD PRODUCTS HAVE 40 PERCENT
WEIGHT IN WHOLESALE PRICE INDEX (IPA) OF DOMESTIC GOODS;
AND AGRICULTURAL PRODUCTS ARE 31 PERCENT OF GLOBAL
(I.E., INCLUDING EXPORT PRODUCTS) WHOLESALE PRICE INDEX.
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THE GENERAL PRICE INDEX IS COMPOSED MAINLY OF IPA AND RIO
COST OF LIVING (WEIGHTS 0.6 AND 0.3 RESPECTIVELY; THE
REMAINING 0.1 IS THE RIO (CITY) CIVIL CONSTRUCTION COST
INDEX). THUS, FOOD/AGRICULTURAL PRODUCTS ACCOUNT FOR
36 PERCENT OF GENERAL PRICE INDEX (DOMESTIC GOODS AND
SERVICES) AND 31 PERCENT OF GLOBAL GENERAL PRICE INDEX.

2. TO EXAMINE ROLE OF FOOD/AGRICULTURAL PRICES, WE CALCULATED INDICES WITH THESE ITEMS OMITTED. FIRST, FOR FOUR MONTH PERIOD OF JUNE (WHEN, APPARENTLY, SIGNIFICANT RESULTS OF ANTI-INFLATION POLICY SHOWED UP IN INDICES) THROUGH SEPTEMBER, (LATEST MONTH FOR WHICH DETAILED DATA IS AVAILABLE):

MAJOR PRICE INDICES				
(PERCENTAGE CHANGE)				
JUNE-SEPTEMBER				
GENERAL PRICE INDEX	1976	1977	1977 FOOD/AGRICULTURAL	PRICES EXCLUDED
DISP. INT.	14.7	7.3	8.9	
GLOBAL	15.6	5.9	9.0	
IPA				
DISP. INT.	15.7	6.0	7.8	
GLOBAL	17.0	3.8	7.9	
RIO COST OF LIVING	11.3	9.5	11.3	

IN ALL CASES, THE RATE OF PRICE INCREASES IN FOOD/ AGRICULTURAL PRODUCTS HAS BEEN LESS THAN IN OTHER GOODS AND SERVICES. IN THE CASE OF WHOLESALE PRICES, FOOD/ AGRICULTURAL PRICES HAVE PLAYED AN IMPORTANT ROLE IN REDUCING INFLATION BUT, EVEN EXCLUDING THESE ITEMS, A VERY SIGNIFICANT REDUCTION (APPROXIMATELY 50 PERCENT) IN THE RATE OF PRICE RISES HAS TAKEN PLACE. FOR THE RIO COST UNCLASSIFIED

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OF LIVING, GOOD PRICES ARE RESPONSIBLE FOR ALL OF THE REDUCTION IN THE OVERALL RATE OF PRICE RISES THAT HAS TAKEN PLACE -- BUT THIS REDUCTION IS MINOR WHEN COMPARED TO THE IPA CHANGES.

3. A SIMILAR CALCULATION WAS MADE FOR JANUARY-SEPTEMBER PERIOD:

MAJOR PRICE INDICES				
(PERCENTAGE CHANGE)				
JANUARY- SEPTEMBER				
GENERAL PRICE INDEX	1976	1977	1977 FOOD/AGRICULTURAL	PRICES EXCLUDED
DISP. INT.	37.1	28.9	28.9	
GLOBAL	38.5	28.5	29.5	
IPA				
DISP. INT.	36.2	26.4	26.5	
GLOBAL	38.7	25.8	27.6	
RIO COST OF LIVING	34.9	32.2	31.9	

AS IN THE PARA 2 ANALYSIS, ALL OF THE 1977 INDICES EXCEPT OF THE RIO COST OF LIVING HAVE RISEN AT A SIGNIFICANTLY SLOWER PACE THAN IN 1976. IN ALL CASES, HOWEVER, 1977 FOOD/AGRICULTURAL PRODUCTS PRICES HAVE RISEN AT APPROXIMATELY THE SAME RATE AS PRICES OF OTHER GOODS AND SERVICES. THIS RESULT COMBINED WITH THE CONCLUSION IN PARA 2 (I.E., OVER PRODUCTS PRICES HAVE RISEN SLOWER THAN THOSE OF OTHER ITEMS) MEANS THAT FOR THE JANUARY-MAY PERIOD THESE PRICES (OF FOOD/AGRICULTURAL PRODUCTS) ROSE FASTER THAN THOSE OF OTHER ITEMS.

4. CONCLUSION: FOOD/AGRICULTURAL PRODUCT PRICES HAVE PLAYED AN IMPORTANT BUT NOT PREPONDERANT ROLE IN THE SLOWING OF INFLATION OVER THE JUNE-SEPTEMBER PERIOD. FOR UNCLASSIFIED

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THE FIRST NINE MONTHS OF 1977, THE RATE OF PRICE RISES IN THESE ITEMS HAS ON AVERAGE BEEN THE SAME AS OTHER ITEMS,. AND THERE IS EVIDENCE OF SOME SUCCESS IN THE GOB ANTI-INFLATION POLICY EVEN IF FOOD/AGRICULTURAL ITEMS ARE EXCLUDED FROM THE INDICES.
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Disposition Case Number: n/a
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Disposition Event:
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